



## Press Clipping Article

**Title:** Farm diversification funds drop - Tobacco firms withholding part of payments

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**Lead:**

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There will be less money available this year to help farmers diversify their operations, the head of the Governor's Office of Agricultural Policy said last week.

The Agricultural Development Fund was created with money given to states by cigarette manufacturers to settle lawsuits the states had filed against tobacco companies.

Money being paid by tobacco companies to states declined \$20 million between April 2005 and April 2006, said Keith Rogers, executive director of the state agricultural policy office.

Tobacco companies are disputing the amount they pay states under the Master Settlement Agreement. Last April, most companies paying into the settlement withheld part of their payment after claiming the states had not upheld their portion of the agreement.

Until the matter is settled, the companies will not be forced to pay the withheld funds.

The impact on the Agricultural Development Fund has been huge. In 2006, \$17 million in funds were available through the state for farm diversification. This year, only \$1.96 million in state funds will be available.

Funds available to farmers through county agricultural development boards have declined as well.

"The county funds are tied directly to what the (MSA) payment is, so they declined about 18 percent," Rogers said. "The dollars are going to be fewer, so we're going to need to be looking down the road" at ways more of the fund can be used for agriculture, Rogers said.

The fund is also used to finance water and sewer bonds, and pays for other infrastructure projects and programs. About \$16 million is used to finance bonds, Rogers said.

The state has used ag funds to promote cattle and meat goat production, and to help farmers learn how to grow commercial vegetables. Rogers said the state has no plans to alter its

programs at this time.

"As far as the model programs go, there's only minor tweaking," Rogers said. "I think this year, there weren't a lot of changes that needed to be made."

This year, the state will offer a model program that will provide commercial chicken producers with funds to upgrade their facilities or operations. While small chicken ranchers have been eligible to receive ag development funds, commercial poultry producers "have had very limited access to those programs," Rogers said.

The funds -- \$5,000 annually with a \$15,000 lifetime limit -- could be used to make chicken houses more energy efficient, to promote composting of manure, or to purchase items such as software.

A commercial farmer "doesn't own the birds, but he owns the facility," Rogers said. "That's what we're focusing on. The commercial poultry program is tailored toward guys doing contract growing."

None of the model programs -- which cover everything from improving the genetics of cattle herds to providing broadband Internet to farmers -- are scheduled to be discontinued, Rogers said.

The funding mechanisms were altered years ago to set the \$15,000 funding ceiling on farmers per model program -- which keeps programs that have been widely used in some areas open to counties where farmers still need them, Rogers said.

"If you ended the program (other farmers) might not have access," Rogers said. Farmers who have reached the funding ceiling on one program "will move on to another program," he said.

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